

The Appomattox County Board of Supervisors held a Work Session on Monday, January 4, 2016 at 5:30 PM in the CVCC Board of Supervisors meeting room located at 171 Price Lane, Appomattox, Virginia.

CALL TO ORDER

Appomattox County Board of Supervisors

Present:

Samuel E. Carter	Courthouse District, Chairman
Sara E. Carter	Piney Mountain District, Vice-Chair
William H. Hogan	Appomattox River District
Chad E. Millner	Falling River District
Bryan A. Moody	Wreck Island District

Also Present:

Susan Adams, County Administrator
 J.O. Overstreet, County Attorney
 John Spencer, Information Systems Manager/Purchasing Agent
 Jeff Taylor, Economic Development Director
 Johnnie Roark, Community Development Director
 Vicky Phelps, Finance Director

Also Present:

David P. Rose, Senior Vice President, Davenport & Company
 Jimmy Sanderson, Senior Vice President, Davenport & Company
 Caroline Heggie, Associate Vice President, Davenport & Company
 Dan Siegel, Attorney, Sands Anderson

DISCUSSION

County Financial Profile Update, Jimmy Sanderson

Ms. Adams, County Administrator called the work session to order at 5:30 p.m. Ms. Adams explained that during the December meeting, the Board requested that staff contact Mr. Sanderson, Senior Vice President, Public Finance at Davenport & Company to attend the January meeting. Ms. Adams explained that Mr. Sanderson will be providing the Board with an update and discuss the financial forecast with funding options.

Mr. David Rose came forward and provided the Board with an Overview of the County Financial Profile. (January 2016 Board file) He explained that Davenport & Company LLC serves as Financial Advisor to Appomattox County in the following ways:

- Reports to the County Board of Supervisors and County Administrator
- Complements County Staff with Financial Planning and
- Interacts with Lending Institutions and National Credit Rating Agencies when required

Mr. Rose explained that with the direction of the Board of Supervisors, Davenport helps to

determine the most cost-effective and flexible methods of financing based on market conditions and what the impact of the borrowing will be on the County.

Mr. Rose explained that Davenport also reviews the County's outstanding debt portfolio for refinancing and alerts the County of potential savings opportunities.

Mr. Rose reviewed with the board the Historic General Fund Revenues. He stated that over the last five fiscal years the County's General Fund Revenues have grown 24.3 percent. He also stated that over the last five fiscal years the County's General Fund Expenditures have grown 27.6 percent. Mr. Rose reviewed the Historic General Fund Balances. Mr. Rose provided the Board with the importance of having an unassigned fund balance.

Mr. Rose reviewed with the Board the historic and future debt service. He stated that the County has a very strong payout ratio at nearly 90 percent of outstanding principal being retired in the next 10 years. He explained that in five years the payout ratio will be 98.77 percent. He stated that this ratio is an important metric that indicates whether or not a locality is back-loading its debt. He stated that the County's debt service increases by approximately \$460,000 in FY2017 and drops significantly in FY2024. After reviewing the Penny Analysis with the Board, Mr. Rose stated that the Penny Analysis assumes the value is \$132,257 and a 0.00 percent penny growth rate.

After Mr. Rose answered questions and comments from the Board, Mr. Jimmy Sanderson came forward and provided the Board with an update on Cash Defeasance and Restructuring Analysis. After providing the Board with a summary of Analysis, Mr. Sanderson stated that Davenport is providing the Board an analysis of the potential to utilize existing reserve to the mitigate the step up in debt service beginning in FY2017. He then presented the two options the Board could consider to mitigate \$450,000-470,000 recurring annual step up in FY2017-2023 of existing debt service.

Option 1 - Case Defeasance of Existing Debt Service, Mr. Sanderson explained that the Board could utilize existing cash reserve to defease certain maturities of the outstanding Lease Revenue Refunding Bonds, Series 2010 to reduce step up.

He explained the County has approximately \$7 million in the Unassigned Fund Balance. He stated that approximately \$3 million of this reserve would be required to mitigate the increase in debt service from FY2017 through FY2023. He stated that the County would decrease outstanding debt by approximately \$2.7 million. He explained that this action would also reduce the County's Unassigned Fund Balance 45% and may limit the County's ability to meet cash flow needs in the future.

Option 2 - Debt Restructuring of Existing Debt Service - Mr. Sanderson explained that in restructuring certain maturities of the outstanding Lease Revenue Bonds, Series 2010 would reduce step up without extending the restructuring past the final maturity of the 2010 Bonds in FY2029.

Mr. Sanderson provided the board with a summary of choosing Option 2.

- Instead of utilizing funds balance, the County restructures a portion of its debt
- Approximately 10 percent of the outstanding debt is restructured
- Final maturity of outstanding debt is not extended
- Mitigate spike in debt service
- Maintains strong pay down of debt
- Maintains future debt capacity

Mr. Sanderson provided the board with several additional scenarios for consideration.

After the presentation was complete, Mr. Sanderson called for questions, comments and concerns from the Board.

The work session adjourn work session at 6:19 p.m.

Susan Adams, Clerk
Appomattox County Board of Supervisors